

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
COME-00 EB-08 LAB-04 SIL-01 /071 W
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R 311701Z JAN 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2484
TREAS DEPT WASHDC
INFO USEC BRUSSELS 7968
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AMCONSUL MILAN
AMCONSUL NAPLES

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E.O. 11652: N/A
TAGS: PINT, IT
SUBJECT: SUPPORT FOR ANDREOTTI FIRMS AS IMPORTANT WEEK BEGINS

REF: ROME 1490

1. SUMMARY. AFTER A WEEKEND OF POLITICAL MANEUVERING AND PUBLIC DECLARATIONS BY SEVERAL PROTAGONISTS IN THE POLITICAL DRAMA, PM ANDREOTTI STILL ENJOYS THE TENUOUS SECURITY AFFORDED BY THE LACK OF A VISIBLE ALTERNATIVE. THE PUBLIC DIFFERENCES BETWEEN THE DC AND THE GOVERNMENT HAVE BEEN AT LEAST PAPERED OVER. PCI LEADER BERLINGUER MADE CLEAR THAT THE PRESENT GOVERNMENT IS THE BEST POSSIBLE IN THIS "TRANSITIONAL PERIOD." SOCIALIST SECRETARY CRAXI EMERGED FROM THE MEETING OF HIS PARTY'S DIRECTORATE SAYING THAT HIS PARTY WOULD NOT "OPEN A CRISIS" DESPITE ITS DISSATISFACTION WITH THE DC GOVERNMENT. EVEN THE REPUBLICANS SEEM TO SOME DEGREE PLACATED BY THE APPARENT GOVERNMENT INTENTION TO FINE SOME WAY OF FURTHER REDUCING THE COST OF LABOR. THE OUTLOOK IS FOR A WEEK OF INTENSE MEETINGS LEADING UP TO THE PARLIAMENTARY "SUMMIT"

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MEETING ON ECONOMIC QUESTIONS ON THURSDAY, FEB. 3 AND A GOVERNMENT CABINET MEETING THE NEXT DAY. END SUMMARY.

2. PM ANDREOTTI'S FIRST MOVE IN FACE OF HIS DIFFICULTIES WAS TO SEEK RENEWED SOLIDARITY WITH HIS OWN CHRISTIAN DEMOCRATIC PARTY. HE SEEMS TO HAVE ACHIEVED THIS, AT LEAST TEMPORARILY, BY AGREEING WITH HIS PARTY THAT INFLATION SHOULD BE BROUGHT DOWN TO AN ANNUAL

RATE OF 16 PERCENT. PRESUMABLY, THE CABINET DELIBERATIONS TAKING PLACE NOW ARE AIMED AT ACHIEVING THAT GOAL WITHOUT VIOLATING ANDREOTTI'S APPARENT COMMITMENT NOT TO TOUCH THE MECHANISM OF THE WAGE INDEXATION SCALE. THE MEASURES WHICH THE COUNCIL OF MINISTERS WILL ADDRESS AT ITS MEETING TODAY, JAN. 31, WILL NOT BREAK ANY NEW GROUND, BUT WILL PROVIDE THE LEGAL BASIS FOR IMPLEMENTING PORTIONS OF THE LABOR-MANAGEMENT ACCORD REACHED LAST WEEK.

3. THE PSI DIRECTORATE CONFRONTATION BETWEEN PARTY SECRETARY CRAXI AND FORMER SECRETARY MANCINI ENDED WITH A COMPROMISE FAVORABLE TO CRAXI. THE MAJORITY OF SPEAKERS AT THE MEETING EXPRESSED CONFIDENCE IN CRAXI'S AUTONOMOUS POLICY AND IN HIS REFUSAL TO CONSIDER A COALITION WITH THE DC. THE FINAL DOCUMENT, APPROVED UNANIMOUSLY, EXPRESSED "APPRECIATION" (BUT NOT OUTRIGHT EXPLICIT APPROVAL) FOR THE WORK OF CRAXI AND HIS COLLEGIAL SECRETARIAT. A SOURCE CLOSE TO CRAXI ACKNOWLEDGED THAT THE DIRECTORATE MEETING LEFT SOME PROBLEMS UNSOLVED, BUT UNDERLINED THAT CRAXI'S BASIC POLICY -- REFUSAL TO APPROVE PSI PARTICIPATION IN A COALITION WITH THE DC -- REMAINS UNTOUCHED.

4. ADDRESSING THE CONCLUDING SESSION OF AN ASSEMBLY OF COMMUNIST WORKERS OF LOMBARDY ON JAN. 30, PCI SECRETARY BERLINGUER IN ONE OF HIS HARDEST DRIVING SPEECHES IN RECENT YEARS (SEPTEN ON MEANING OF SPEECH IN CONTEXT OF OTHER PCI MOVES FOLLOWS) DEFENDED VIGOROUSLY THE POLITICAL AND ECONOMIC PROGRAMS OF THE PCI. WHILE INDICATING THAT THE PCI HAS NO INTENTION OF BRINGING DOWN THE ANDREOTTI GOVERNMENT DURING WHAT IT CONSIDERS A TRANSITIONAL PERIOD TOWARD AN EVENTUAL GOVERNMENT OF "DEMOCRATIC SOLIDARITY," BERLINGUER SERVED CLEAR WARNING THAT THE FORMATION OF A COALITION LIMITED OFFICIAL USE

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GOVERNMENT WHICH WOULD SEND THE PCI BACK INTO OPPOSITION WOULD HAVE GRAVE CONSEQUENCES FOR THE COUNTRY. BERLINGUER'S WARNING WAS CLEARLY DIRECTED AT THOSE IN THE SOCIALIST PARTY (MANCINI) WHO APPEAR READY TO CONSIDER A RETURN TO A COALITION WITH THE DC AND ALSO AT THOSE CHRISTIAN DEMOCRATS WHO TALK OPENLY OF RETURNING THE PCI TO THE OPPOSITION.

5. WITH THE RESCHEDULING OF THE PARLIAMENTARY "SUMMIT" AND ANDREOTTI'S APPARENT ACCEPTANCE OF THE DC GOAL OF 16 PERCENT INFLATION, REPUBLICAN PARTY (PRI) CRIES AGAINST THE GOVERNMENT ARE LESS HARSH. BOTH IN THE BILATERAL MEETINGS BETWEEN GOVERNMENT AND PARTY LEADERS WHICH ARE GOING ON NOW AND IN THE "SUMMIT" MEETING, THE PRI MAY BE EXPECTED TO PUSH HARD FOR CONCRETE MEASURES TO REDUCE THE COST OF LABOR.

6. THE GOVERNMENT'S COURSE OF ACTION WILL EMERGE FROM THE CONSULTATIONS THAT WILL TAKE PLACE THIS WEEK. ALTHOUGH BETS ARE OPEN ON THE GOVERNMENT'S DECISION, IT IS CLEAR THAT THE COURSE OF MOST RESISTANCE WOULD BE EXPLICIT MODIFICATION OF THE OPERATION OF THE

WAGE INDEXATION SCALE. MUCH EASIER, AND APPARENTLY ACCEPTABLE TO MOST PARTIES, WOULD BE "FISCALIZATION" OF SOME OF THE COSTS OF SOCIAL BENEFITS CONNECTED WITH WAGES. IN THE LATTER CASE, IT WOULD ALSO BE NECESSARY TO GENERATE MORE GOVERNMENT REVENUE IN ORDER TO PAY FOR THE SOCIAL BENEFIT COSTS ASSUMED BY THE GOVERNMENT.
BEAUDRY

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Disposition Date: 22 May 2009
Disposition Event:
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